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SUBJECT: TAIWAN EXPLAINS CROSS-STRAIT POLICY

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Summary

1. (U) In a June 1 speech at National Chengchi University, Mainland Affairs Council (MAC) Chairman Joseph Wu said he expects regular cross-strait charter flights and mainland tourist travel within five to six months. He reiterated familiar complaints that China misunderstands Taiwan's democracy and also called for international attention to support maintenance of the military balance across the Straits. End summary.

Background of the Forum

2. (U) On June 1, Mainland Affairs Council Chairman Joseph Wu (Jau-shieh) delivered a public speech entitled "Cross-Strait Relations and Taiwan's China Strategy" at National Chengchi University (NCCU). An alumnus of NCCU, Wu served as Assistant Professor there after receiving his Ph.D. at Ohio State University. His speech attracted officials from the European Chamber of Commerce, Taipei (ECCT) and the Japan Interchange Association (Japan's trade representative office in Taipei) as well as AIT staff, in addition to an academic crowd.

Close Cross-Strait Economic Ties

3. (U) Wu said China is Taiwan's most important trading partner, noting that 37 percent of Taiwan's exports went to China (including Hong Kong) in 2005 and 27 percent of Taiwan's trade was engaged with China. Since Taiwan began allowing tourist visits to China in 1987, Wu said more than 4.1 million trips have been made by Taiwan residents. However, in this same period only some 173,000 Mainland Chinese came to Taiwan for business purposes, professional exchanges, or tourism, traveling to Taiwan through third areas, mostly Hong Kong. He attributed the imbalance in travel to China's restrictions on professional exchanges imposed on PRC officials as well as its prohibition of tourist travel directly from China.

Joint Announcement on Charters and Tourism

4. (U) Wu said he is optimistic that Taiwan and China could reach consensus on both cross-strait charter flights and tourism in five to six months. He projected that an agreement would boost the number of mainland tourists visiting Taiwan from the current average of 5,000-6,000 per month to 1,000 per day, which could boost Taiwan's GDP by USD 500-600 million.

15. (SBU) Consultations on cargo and passenger charter services continue, Wu stated, noting that the "Macao format" works well for cross-Strait discussions. (Note: The "Macao format" refers to the civilian-led talks held in Macao to establish the cross-Strait Chinese New Year flights in 2005. The Taiwan delegation to these talks was organized and led by representatives of Taiwan's civil aviation industry while officials from organizations such as Taiwan's Civil Aeronautics Administration participate as "advisors." End Note.)

Military Imbalance

16. (U) Wu said the latest MAC poll shows that 85 percent of Taiwan's residents prefer to maintain the status quo in cross-Strait relations, but do not rule out any type of cross-Strait connections. Wu said it is the Taiwan government's responsibility to safeguard Taiwan's de facto independence. He expressed concern about the cross-Strait military imbalance as well as China's suppression of Taiwan's international presence. He stated that China's military expenses reached USD 100 billion in 2005, and the growth rate of military expenditures greatly exceeds China's GDP growth rate. He said that not only Taiwan but also neighboring countries, especially Japan, worry about China's growing military might being concentrated on its northeastern coast. Citing Taiwan Intelligence estimates, Wu said China has targeted Taiwan with 850-880 missiles, with the stock of missiles increasing by 10 each month. He argued that the cross-Strait military balance must be maintained in order to secure peaceful cross-Strait ties.

Misperceptions Keep Taiwan Apart From China

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17. (U) China's misperceptions of Taiwan's democracy and international presence hinders cross-Strait contacts, Wu maintained. He noted that China criticized Taiwan's 1991-1992 parliamentary reforms and the 2000 peaceful transfer of power, when Chen Shui-bian won the presidential election and the DPP became the ruling party, as steps toward independence. In addition to restricting Taiwan participation in WHO, Wu also noted the PRC boycotted several NGO events because of Taiwan participation and MAC officials' attendance at cross-Strait talks as consultants.

Q's & A's

18. (U) Direct Navigation: Asked about opposition efforts to amend Articles 28-30 of the Act governing Relations between Peoples of the Taiwan Area and the Mainland Area (the Direct Navigation Act), Wu insisted that the Legislative Yuan (LY) is not a good place for policy debates, but is more of a place for politicians to show off. The direct link clause has become an issue which opposition parties use to highlight ruling party limitations. Wu stressed that if China is willing to negotiate direct transport links with Taiwan then there is no need to discuss amending the direct navigation act.

Due to a series of clashes between ruling and opposition parties in the LY, most recently over the direct link clause, 50 percent of MAC's budget remains frozen, Wu lamented, noting that the Economic Sustainability and Development Forum planned for June 18 -19 might have to be delayed.

19. (U) A Japan Interchange Association (JIA) representative asked Wu about the "92 consensus." Wu responded that the PRC's invitations to former Straits Exchange Foundation (SEF) Chairman C.F. Koo for the 1993 and 1998 Koo-Wang Talks did not contain any wording about a so-called "One China" principle or "92 consensus."

110. (U) Asked about former KMT Chairman Lien Chan's visits to China, Wu said many people believe that Lien's visits improved cross-Strait ties. He emphasized that diplomacy is an official responsibility of the Taiwan authorities. Nevertheless, Wu said that he was comfortable that prior to Lien's recent visit to the PRC

in April 2006, KMT Policy Coordination Committee Director Tseng Yung-chuan had personally briefed MAC.

¶11. (U) According to the local press, Wu conveyed much of the same information in a presentation to Taishang (Taiwan business representatives doing business in Mainland China) the same day at a Dragon Boat Festival reception sponsored by the SEF.
YOUNG